PERAC AUDIT REPORT

Maynard Contributory Retirement System

JAN. 1, 2011 - DEC. 31, 2014

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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June 24, 2016

The Public Employee Retirement Administration Commission has completed an examination of the Maynard Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2011 to December 31, 2014. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

The financial information presented in this report includes entries related to the fraud carried out by a former employee. In total, this employee defrauded the System of $ 735,149. In 2013, the System's fidelity bond insurer paid the System $500,000 against this loss. In addition to the insurance proceeds, the System was able to take possession of the former employee's accumulated retirement withholdings, which totaled $ 75,545, leaving the new amount of the fraud loss at $159,604. Since then, the Board has strengthened its internal controls by adopting all our recommendations, and there has been a new stability with respect to personnel changes in the Town Treasurer's Office.

In closing, I acknowledge the work of examiners Scott Henderson, Amy Chow, and Patty Morrison who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Regular Compensation:
A review of payroll revealed errors in the determination of regular compensation.

Retirement deductions are being withheld from the fees that are paid to the wiring inspector. As of July 1, 2009, fees are not considered regular compensation because they are not pre-determined, so they do not satisfy the requirements of 840 CMR 15.03 3(b).

The school department pays two employees a stipend of $5,000 each to set-up the bus schedule and routes for the upcoming school year. Retirement deductions are not withheld, but this pay does meet the definition of regular compensation. The payments are "pre-determined, non-discretionary, [and] guaranteed", and are for a service to the employer.

Also, there are several school department employees being paid more than $30,000 annually who are not contributing the additional 2%.

Recommendation: The payroll department should be instructed to end withholding contributions on the fees. The Board should refund any contributions derived from fees and collected after July 1, 2009.

Deductions should be initiated on the stipend for the school employees.

The Board should instruct the school department to deduct the additional 2% every pay period that earnings exceed and annualized rate of $30,000.

Board Response:
The payroll department has been notified to stop withholding contributions for wiring inspector fees and a refund for all contributions taken from fees after July 1, 2009 will be issued.

The school department has been notified to begin taking deductions on stipends for the two employees that do the bus schedules.

The school department is now setting up all employees for the additional 2% deductions to begin once the $30, 000 annual threshold is reached.

2. Board Attendance:
One Board member missed 4 of the 12 meetings in 2014. The result is an attendance rate that is below the 75% minimum considered reasonable.

Recommendation: Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board's responsibility to counsel members who do not regularly attend meetings that they jeopardize their fiduciary duty to the retirement system. The Board might consider adjusting the schedule of Board meetings in order to better accommodate its members. It should be noted that this Board member receives a stipend in consideration for regular attendance and participation at the monthly Board meetings. In instances where a significant level of absenteeism occurs, it is the Board's responsibility to take appropriate action with members who fail to maintain minimum attendance requirements.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS
(Continued)

Board Response:

The Board understands the obligations of all members to take their duties seriously. The Board has adopted remote participation and will look for alternative meeting times if all Board Members cannot attend a scheduled meeting.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31, 2014	2013	2012	2011
Net Assets Available For Benefits:				
Cash	$423,169	$430,306	$589,876	$1,337,128
Equities	19,856,178	20,707,019	15,214,835	12,606,745
Pooled International Equity Funds	2,580,085	2,216,903	1,754,188	1,474,952
Pooled Domestic Fixed Income Funds	8,185,890	7,395,573	10,768,217	10,372,071
Pooled Alternative Investment Funds	112,855	85,730	82,703	133,476
Pooled Real Estate Funds	3,009,972	1,337,957	520,697	0
Hedge Funds	2,791,073	1,561,036	0	0
PRIT Cash Fund	57,822	36,715	65,022	200,024
Accounts Receivable	197,866	1,344	50,873	55,077
Accounts Payable	(262,227)	(49,773)	(63,517)	(14,124)
Total	$36,952,682	$33,722,811	$28,982,893	$26,165,349
Fund Balances:				
Annuity Savings Fund	$7,796,278	$7,121,797	$7,297,325	$6,965,793
Annuity Reserve Fund	2,792,240	2,904,070	2,868,799	2,727,653
Pension Fund	239,293	572,760	981,159	1,283,058
Military Service Fund	29,017	26,477	13,268	13,255
Expense Fund	0	0	0	0
Pension Reserve Fund	26,095,854	23,097,706	17,822,342	15,175,589
Total	$36,952,682	$33,722,811	$28,982,893	$26,165,349

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2011)	$6,912,502	$2,302,846	$1,449,814	$13,229	$0	$15,447,181	$26,125,572
Receipts	747,284	73,529	1,669,909	26	240,467	(165,957)	2,565,259
Interfund Transfers	(569,728)	675,363	0	0	0	(105,635)	0
Disbursements	(124,265)	(324,085)	(1,836,665)	0	(240,467)	0	(2,525,483)
Ending Balance (2011)	$6,965,793	$2,727,653	$1,283,058	$13,255	$0	$15,175,589	$26,165,349
Receipts	1,096,564	86,707	1,840,400	13	237,010	2,538,867	5,799,562
Interfund Transfers	(552,887)	445,001	0	0	0	107,886	0
Disbursements	(212,144)	(390,563)	(2,142,300)	0	(237,010)	0	(2,982,018)
Ending Balance (2012)	$7,297,325	$2,868,799	$981,159	$13,268	$0	$17,822,342	$28,982,893
Receipts	928,547	84,558	1,863,272	13,208	227,816	5,115,241	8,232,641
Interfund Transfers	(503,874)	363,693	58	0	0	140,123	0
Disbursements	(600,201)	(412,979)	(2,271,728)	0	(227,816)	0	(3,512,724)
Ending Balance (2013)	$7,121,797	$2,904,070	$572,760	$26,477	$0	$23,077,706	$33,702,811
Receipts	1,019,540	82,784	1,963,646	2,541	268,085	3,003,454	6,340,050
Interfund Transfers	(229,323)	214,630	0	0	0	14,694	0
Disbursements	(115,736)	(409,244)	(2,297,113)	0	(268,085)	0	(3,090,178)
Ending Balance (2014)	$7,796,278	$2,792,240	$239,293	$29,017	$0	$26,095,854	$36,952,682

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2014	2013	2012	2011
Annuity Savings Fund:				
Members Deductions	$827,434	$754,980	$725,418	$706,448
Transfers from Other Systems (A)	120,346	109,083	330,281	16,023
Member Make Up Payments and Re-deposits	58,917	55,367	31,975	10,004
Investment Income Credited to Member Accounts	12,842	9,117	8,890	14,809
Sub Total	1,019,540	928,547	1,096,564	747,284
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	82,784	84,558	86,707	73,529
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	95,857	101,286	98,082	60,351
Received from Commonwealth for COLA and Survivor Benefits (B)	23,689	22,278	85,978	31,443
Pension Fund Appropriation	1,844,100	1,739,708	1,656,341	1,578,116
Recovery of 91A Overearnings	0	0	0	0
Sub Total	1,963,646	1,863,272	1,840,400	1,669,909
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	2,514	13,195	0	0
Investment Income Credited to the Military Service Fund	26	13	13	26
Sub Total	2,541	13,208	13	26
Expense Fund:				
Investment Income Credited to the Expense Fund	268,085	227,816	237,010	240,467
Sub Total	268,085	227,816	237,010	240,467
Pension Reserve Fund:				
Interest Not Refunded	4,962	1,906	0	457
Miscellaneous Income (C)	0	425,069	(563,731)	31,075
Excess Investment Income	2,998,493	4,688,266	3,102,598	(197,490)
Sub Total	3,003,454	5,115,241	2,538,867	(165,957)
Total Receipts, Net	$6,340,050	$8,232,641	$5,799,562	$2,565,259

(A) 2012 includes entry for fraud loss
(B) 2012 includes entry for fraud loss
(C) 2012 includes entry for fraud loss, 2013 includes insurance payment

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2014	2013	2012	2011
Annuity Savings Fund:				
Refunds to Members	$39,878	$177,174	$63,818	$56,581
Transfers to Other Systems	75,858	423,028	148,326	67,684
Sub Total	115,736	600,201	212,144	124,265
Annuity Reserve Fund:				
Annuities Paid	409,244	412,979	390,563	324,085
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	1,677,375	1,688,903	1,584,879	1,362,109
Survivorship Payments	120,989	105,883	76,484	69,378
Ordinary Disability Payments	27,195	36,759	48,307	57,083
Accidental Disability Payments	224,970	204,410	188,948	205,340
Accidental Death Payments	56,060	55,160	54,260	53,360
3 (8) (c) Reimbursements to Other Systems	166,835	158,335	189,421	89,394
State Reimbursable COLA's Paid	23,689	22,278	0	0
Sub Total	2,297,113	2,271,728	2,142,300	1,836,665
Expense Fund:				
Board Member Stipend	3,044	1,775	2,029	0
Salaries (D)	39,711	36,177	41,856	96,980
Legal Expenses	0	20,000	20,000	2,519
Travel Expenses	4,136	4,667	1,821	1,360
Administrative Expenses	5,501	6,732	3,846	4,029
Accounting Services	15,000	0	3,500	3,400
Education and Training	1,890	1,980	1,140	835
Furniture and Equipment	0	0	2,650	0
Management Fees	150,734	114,071	105,917	96,828
Custodial Fees	27,261	27,704	29,545	21,988
Service Contracts	14,025	14,710	24,705	12,128
Fiduciary Insurance	6,784	0	0	400
Sub Total	268,085	227,816	237,010	240,467
Total Disbursements	$3,090,178	$3,512,724	$2,982,018	$2,525,483

(D) 2011 includes 18 months

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2014	2013	2012	2011
Investment Income Received From:				
Cash	$4,237	$3,260	$516	$1,037
Fixed Income	0	0	361,213	400,261
Equities	345,577	343,393	339,478	237,432
Pooled or Mutual Funds	358,553	364,349	58,437	49,480
Total Investment Income	708,366	711,002	759,644	688,210
Plus:				
Realized Gains	1,016,893	1,717,968	1,050,974	644,264
Unrealized Gains	3,416,547	4,082,542	2,703,992	898,837
Sub Total	4,433,439	5,800,510	3,754,965	1,543,101
Less:				
Paid Accrued Interest on Fixed Income Securities	0	0	0	0
Realized Loss	(820,624)	(400,212)	(505,255)	(819,725)
Unrealized Loss	(958,952)	(1,101,530)	(574,133)	(1,280,218)
Sub Total	(1,779,576)	(1,501,742)	(1,079,389)	(2,099,968)
Net Investment Income	3,362,230	5,009,770	3,435,220	131,342
Income Required:				
Annuity Savings Fund	12,842	9,117	8,890	14,809
Annuity Reserve Fund	82,784	84,558	86,707	73,529
Military Service Fund	26	13	13	26
Expense Fund	268,085	227,816	237,010	240,467
Total Income Required	363,737	321,504	332,621	328,832
Net Investment Income	3,362,230	5,009,770	3,435,220	131,342
Less: Total Income Required	363,737	321,504	332,621	328,832
Excess Income (Loss) To The Pension Reserve Fund	$2,998,493	$4,688,266	$3,102,598	($197,490)

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2014	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$423,169	1.1%
Equities	$19,856,178	53.6%
Pooled International Equity Funds	$2,580,085	7.0%
Pooled Domestic Fixed Income Funds	$8,185,890	22.1%
Pooled Alternative Investment Funds	$112,855	0.3%
Pooled Real Estate Funds	$3,009,972	8.1%
Hedge Funds	$2,791,073	7.5%
PRIT Cash Fund	$57,822	0.2%
Grand Total	$37,017,044	100.0%

For the year ending December 31, 2014, the rate of return for the investments of the Maynard Retirement System was 9.93%. For the five-year period ending December 31, 2014, the rate of return for the investments of the Maynard Retirement System averaged 10.65%. For the 30-year period ending December 31, 2014, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Maynard Retirement System was 8.11%.

The composite rate of return for all retirement systems for the year ending December 31, 2014 was 7.81%. For the five-year period ending December 31, 2014, the composite rate of return for the investments of all retirement systems averaged 10.08%. For the 30-year period ending December 31, 2014, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.43%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Maynard Retirement System submitted a number of supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission. None of those regulations apply to investments contained within their current portfolio and are considered to be effectively rescinded.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Maynard Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of $30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2.

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.

- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.

- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.

- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age". "Maximum age" applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of $821.52 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of $821.52 per year, per child (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of $150,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of $6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is $9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is $12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is $3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to $6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of $1,440 per year for the first child and $1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of $1,000. For many years the COLA base was calculated based upon the first $12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. In certain circumstances, if a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration may not be undertaken. This is because such a person may receive a separate retirement allowance from each system.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Maynard Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission:

Membership
April 1, 1979
Employees shall become members of the Retirement System only when they work at least 25 hours per week and a minimum of 40 weeks per year. Part time service will be prorated on the basis of annual dollar earnings as compared with the dollar earnings of a comparable full time position.

Travel Regulations
March 14, 2013
The Maynard Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations are available upon written request and are also available on the PERAC website http://www.mass.gov/perac/Maynard.

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Finance Director who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	Michael A. Guzzo		
Appointed Member:	Kevin C. Peterson	Until a successor is appointed	
Elected Member:	Jean E. Ignachuck	Term Expires:	04/01/2017
Elected Member:	Clifford C. Wilson	Term Expires:	04/01/2018
Appointed Member:	Christopher F. Connolly, Sr. Chair	Term Expires:	04/01/2019

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of $1,000,000 with a $10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of $1,000,000 with a $10,000 deductible under a blanket policy issued through the Ullico Organized Labor Protection Group, LLC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2015.

The actuarial liability for active members was	$23,580,121
The actuarial liability for vested terminated members was	408,623
The actuarial liability for non-vested terminated members was	325,769
The actuarial liability for retired members was	25,660,363
The total actuarial liability was	$49,974,876
System assets as of that date were	34,530,666
The unfunded actuarial liability was	$15,444,210
The ratio of system's assets to total actuarial liability was	69.1%
As of that date the total covered employee payroll was	$9,285,160

The normal cost for employees on that date was	8.7% of payroll
The normal cost for the employer was	6.8% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	7.50% per annum
Rate of Salary Increase:	Varies by group and service

SCHEDULE OF FUNDING PROGRESS
AS OF JANUARY 1, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2015	$34,530,666	$49,974,876	$15,444,210	69.1%	$9,285,160	166.3%
1/1/2013	$28,225,657	$43,836,068	$15,610,411	64.4%	$7,932,121	196.8%
1/1/2011	$27,520,532	$38,320,073	$10,799,541	71.8%	$7,715,688	140.0%
1/1/2009	$22,280,183	$33,912,364	$11,632,181	65.7%	$7,522,033	154.6%
1/1/2007	$23,118,085	$30,767,237	$7,649,152	75.1%	$6,557,847	116.6%

NOTE 6 - MEMBERSHIP EXHIBIT

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Retirement in Past Years										
Superannuation	6	5	6	8	6	4	11	5	5	2
Ordinary Disability	0	0	0	0	1	0	0	0	0	0
Accidental Disability	0	0	1	1	0	0	0	0	1	0
Total Retirements	6	5	7	9	7	4	11	5	6	2
Total Retirees, Beneficiaries and Survivors	83	85	88	85	87	89	93	98	103	102
Total Active Members	180	186	198	202	194	208	186	189	185	208
Pension Payments										
Superannuation	$903,784	$996,967	$1,070,842	$1,102,197	$1,132,307	$1,271,198	$1,362,109	$1,584,879	$1,688,903	$1,677,375
Survivor/Beneficiary Payments	41,723	38,720	51,511	55,205	56,862	62,594	69,378	76,484	105,883	120,989
Ordinary Disability	48,611	41,256	43,038	44,423	49,955	55,540	57,083	48,307	36,759	27,195
Accidental Disability	152,882	129,530	162,008	170,646	172,806	216,967	205,340	188,948	204,410	224,970
Other	98,254	156,174	169,196	185,835	171,814	173,179	142,755	243,681	235,773	246,584
Total Payments for Year	$1,245,254	$1,362,647	$1,496,595	$1,558,306	$1,583,744	$1,779,478	$1,836,665	$2,142,300	$2,271,728	$2,297,113

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